

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4296-03  
Bill No.: SCS for HB 1701  
Subject: Insurance - Medical; Insurance Department; Elderly  
Type: Original  
Date: April 16, 2002

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**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 3 pages.

**FISCAL ANALYSIS**

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### ASSUMPTION

Officials from the **Department of Health and Senior Services** and the **Department of Social Services** assume this proposal would not fiscally impact their agencies.

Officials from the **Department of Insurance (INS)** assume this legislation updates long term care insurance law to be consistent with the National Association of Insurance Commissioners model regulation. This legislation changes various standards applicable to rates, rate increases and required disclosures to consumers. The INS would be required to do training and adjust market conduct examination processes to assure provisions of the legislation are reviewed and insurers are in compliance. The INS does not anticipate a need for additional resources to implement provisions of the proposed law.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

### DESCRIPTION

This proposal makes several changes to the Long-term Care Insurance Act. In its main provisions, the proposal: (1) Clarifies that the term "long-term care insurance" includes any insurance policy that meets the requirements of a "qualified long-term care insurance contract," as defined in section 7702B of the Internal Revenue Code; (2) Requires the issuer of a long-term care contract to state clearly in its enrollment materials whether the contract is intended to be tax-qualified, pursuant to section 7702B; (3) Requires the issuer to deliver the certificate of to the applicant within 30 days of approval; (4) Requires the policy summary to state whether it includes cost inflation protection; (5) Requires issuers to provide a written explanation for a denial of coverage within 60 days of receiving a written request for an explanation from the applicant. The issuer must provide all information directly related to the denial; (6) Allows

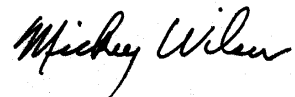
### DESCRIPTION (continued)

issuers to rescind long-term care contracts upon a showing of misrepresentation. The degree of misrepresentation that must be proven will vary, depending on the length of time the policy has been in effect; (7) Prohibits a long-term care contract to be field issued based on health status; (8) Prohibits an issuer from recovering benefits paid to the policyholder when the issuer rescinds the policy; (9) Requires the INS to promulgate rules creating the standards for nonforfeiture benefits, contingent benefits upon lapse, the length of time these benefits must run, and the extent to which premiums may be increased. The INS must also promulgate rules regarding marketing practices, agent compensation, agent testing, penalties, and reporting practices for long-term care insurance.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

#### SOURCES OF INFORMATION

Department of Insurance  
Department of Health and Senior Services  
Department of Social Services



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